

MEDICARE PAYMENT ADVISORY COMMISSION

PUBLIC MEETING

The Horizon Ballroom  
Ronald Reagan Building  
International Trade Center  
1300 Pennsylvania Avenue, N.W.  
Washington, D.C.

**Friday, September 10, 2004**

COMMISSIONERS PRESENT:

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MARY K. WAKEFIELD, Ph.D.  
NICHOLAS J. WOLTER, M.D.

**AGENDA ITEM:**

**State lessons on the drug card**

**-- Jack Hoadley, NORC, Joan Sokolovsky**

DR. SOKOLOVSKY: As part of our continuing work of the implementation of the Medicare drug benefit, you might remember last spring we contracted with a team of researchers from Georgetown University and NORC at the University of Chicago headed by Jack Hoadley here from Georgetown, to look at what states were doing in terms of enrollment and education, what their plans were for low-income beneficiaries and dual eligibles.

What Jack found and what the team found was that states were much more concerned with getting ready for the discount drug card. And so we continued the project, looking at how the discount drug card was implemented and particularly what lessons could be drawn from that that would be relevant to the Medicare drug benefit.

Jack is going to present the results of that study.

MR. HACKBARTH: Welcome Jack. Good to see you again.

DR. HOADLEY: Thank you. I appreciate the chance to be here and talk about this project.

Basically I want to go through several things, talk about experiences that beneficiaries have had with the discount card program seen through the filter of counselors and others who help beneficiaries work through enrolling in a card and working with the cards.

Also comment a little bit about how the cards work a little bit differently in the states with pharmacy assistance programs, what the experience counselors are having with this process of doing this counseling process, and then also we asked the same counselors a little bit about what they were expecting looking forward to Medicare Part D.

This slide just basically runs through a few of the basics. To refresh your memory, we haven't been in this discount card process for very long. The card sponsors were selected back in March. Cards first became effective in June. So we really, at most, have about three months of experience with the cards actually being in place and so I think that's an important caveat in thinking about what this experience has been.

I also mention here the different aspects, enrollees select one card with an enrollment fee of no more than \$30 and they have the possibility of another card in the second year. Also the possibility of signing up for transitional assistance of \$600, and we gave a lot of attention to that particular aspect of the program for those low-income beneficiaries eligible for transitional assistance.

Enrollment, the most recent numbers suggest that about 4 million beneficiaries have signed up for the cards, which is a bit below what expectations were. Not clear whether these numbers will continue to grow over the rest of the year and into

next year or whether we've sort of hit the plateau on this. There's no way to know that. About 1 million beneficiaries have signed up for the transitional assistance and there were actually expectations that as many as 7 million beneficiaries could be eligible for transitional assistance. So again this number is well below expectations.

It's also important to note that many of the people who did enroll for these cards were auto-enrolled through one of two ways, through their Medicare Advantage plans, those who are already in Medicare Advantage plans could be auto-enrolled directly into a card. And those that were already enrolled in state pharmacy assistance programs in certain states, those states auto-enrolled people into the cards. That actually accounts for a fair proportion, portion, probably more than half of those that are enrolled in transitional assistance, and perhaps quite a bit more than half although there are no hard numbers out on that phenomenon.

Basically, our study consisted of interviewing about 20 to 25 people over the two months of July and August and a little bit into the first of September. We talked to state health insurance assistance programs, either state coordinators or some of the local or county program folks for the different state SHIP programs. We talked to a few pharmacists about their experience in counseling beneficiaries and a few other sorts of beneficiary counselors who weren't directly affiliated with the SHIP programs.

We had a general protocol that we followed and I should emphasize this is obviously a qualitative study based on a relatively small number of interviews but what is striking is that the conversations we had across the different states were really quite consistent. So that the things I'll talk about really were repeated from across most of the interviews we had.

As the counselors report their enrollment experience, and I will reemphasize that it is the reports of counselors that we're dealing with, we didn't talk directly to beneficiaries for this study, what is it that has worked about the discount card program?

One thing is that the counselors do report that real savings seem to be available for at least some beneficiaries, especially those eligible for transitional assistance and those with no other coverage. When they sit down with the beneficiary and look at what their drugs are and what their situation is, they often can find real savings for these folks.

They also report that although the web site can be confusing, especially for beneficiaries, it has improved. And from the perspective of the counselors, the web site and the web tool has been a very valuable resource to them in working with the beneficiaries.

Also, despite some of the speculation before the program started, there has not been a lot of fluctuation in drug prices, at least what the counselors have seen and this seems consistent with other studies of this, that prices, after at least the first few weeks that the discount cards were up, pretty much have stabilized. So people are seeing the discounts that they're

expecting when they enroll.

The other thing, I think, that has worked is that counseling has been available to folks. The SHIPs and others have really made it possible for beneficiaries to get help in enrollment and working with the cards.

So what do they report has not worked as well? One of the consistent things we heard about was considerable confusion among the beneficiaries. Beneficiaries are confused by the large number of choices that they're facing, the fact that there may be something like 30 to 40 different cards to look at is really quite overwhelming to a lot of the beneficiaries according to the counselors that we talked to. In fact even, in some cases, overwhelming to the counselors.

That selecting a card is quite difficult for a beneficiary without the help of a counselor walking through this process.

There is even confusion about trying to understand what the discount card is versus what's in Medicare Part D. They're hearing a lot of the publicity about Medicare Part D and some of them are having trouble sorting out with the discount card does versus what Part D does.

We also heard that beneficiaries didn't trust the program, were just suspicious about this, what this was going to be. They were concerned about the fact that prices would change and wouldn't be what they were advertised even know, as I said before, that has tended not to be the case at least so far in the program.

Part of what hasn't worked is that a lot of beneficiaries have just decided not to choose a card. In being overwhelmed, their response is to just say I can't deal with it, I'm not going to pick one. And they can't seem to -- the counselors even have trouble convincing them that this investment up front may actually pay off. Some of them look at the up front enrollment fee and say well, I'm not going to put down \$20 or \$30 for something that I don't even know really has value to me, again having trouble getting past that notion that there's this up front cost, even though there may be savings once they really get enrolled and start to see things.

They just see it as a big hassle and especially because it's a short-term program. They say this is going to come and go in 18 months. I'm just not going to bother. Obviously, this isn't everybody but this is a surprising number of people, and again we heard this repeatedly from the counselors we talked to.

Some others talk would talk about the fact that they already have easier access to other discounts. Some talked about the cheaper prices they get from Canada when we talked to states that are up along the northern border. Others would talk about getting better discounts from places like Costco or Target or wherever they tended to go. Empirically, this may not prove to be true. They may actually be able to get better discounts from the discount cards, but they're happy with discounts they're getting and don't seem to want to look for others.

Of course, in some cases people have other coverage and that's another factor. In those cases, the card isn't so relevant to them.

The specific case of the states with pharmacy assistance programs is a little bit different. Here we've got a situation where the state can save money if the transitional assistance eligible beneficiaries do enroll in the cards and do enroll for transitional assistance. So what has happened is in all of the larger states with the larger pharmacy assistance programs and some of the smaller ones as well, were able working with CMS to set up auto-enrollment procedures which have proved to be quite effective.

In those cases, they pretty much got everybody who was eligible for transitional assistance enrolled in a discount card. In a number of the cases the states share the savings with the beneficiaries by reducing the copays that they otherwise would have had in the state program in order to provide some incentive for the beneficiary to see the value on this. In a few other state they just said well, it's saving the state money and that will benefit you in the long run even if it doesn't benefit you in the short run.

It's also true, however, that in most of these states people enrolled in pharmacy assistance programs who are not transitional assistance eligible are generally better off not getting a discount card. Their state program is providing them a better deal than they would get through the card. And so most of those did not enroll.

We did hear, though, that the Medicare discount card publicity generated some new enrollment in the state programs, which is a good thing. And also, in some cases, people would come in these states and folks who had missed the threshold for enrollment in the program people, the counselors could now tell these folks you can enroll in this discount card and while it's not as good as the state program at least it's something. In some cases, that was an effective thing.

So what did counselors tell us that seniors did on their own in the process of trying to confront this program and learn about it? A very few number had tried the web site on their own, tried to work through the tool that's there on the web site. We heard that most seniors either don't know the Internet, don't have good connections, and in particular don't have high-speed connections. And without a high-speed connection, working with the web site tool is really pretty difficult.

I do have to put the caveat that we're talking to counselors who are seeing people who ended up talking to them, not to the people who could do it on their own and never even talked to the counselors. So it's hard to make a judgment of how many other seniors were successful with the web site or the 800-number and never made it to the counselors, although the number of people enrolled suggest that those can't be too enormous in numbers.

More people had at least contacted 1-800-Medicare for information but often found it was too complicated to work through their situation, again with this bias that we're hearing the people who made it through to the counselors and didn't stop after talking to 1-800-Medicare.

Almost all of the seniors reported getting mailings from the card sponsors. Many had talked to friends, family, pharmacists,

physicians and ended up getting referred to the state SHIPs for help through many of these other sources.

So what is it that the SHIPs are really doing? They're starting by doing substantial outreach efforts and I think I talked about this a little bit in the spring when I spoke to you about our previous project, that states were planning these kinds of outreach efforts.

Some states did really quite massive outreach programs. We talked to one county level counselor in one state and she personally had been out, I think, and done 18 different programs all over about a six week period, going around the county and talking to different groups of seniors. So there were a lot of those. And everybody we talked to talked about a systematic attempt to get out there and talk to seniors in different kinds of venues.

We did hear, however, that the turnout for these often was pretty substantial but wasn't always. In one case we were told about a program that was scheduled at a retirement community where they were accustomed to doing programs and getting quite high turnout, and ended up canceling the session because the turnout was so minimal. People already seemed to be convinced that this card wasn't something they were interested in knowing more about, was the impression that they had as to why that happened. Some states did fliers and letters and other kinds of things. But mostly it was through these outreach presentations.

The other piece of it is the one-on-one counseling, that's really the bread and butter of the SHIP programs.

States definitely told us that their workload, their turnout for one-on-one counseling had risen but that the numbers weren't overwhelming. They had some concerns going into this that they might just really be overwhelmed by this process and that wasn't the case. People did seek one-on-one counseling in response to outreach or other publicity, and so they did get a fair amount of this.

What's a typical counseling session like? What they try to get people to do is bring with them a list of their drugs and their income information, the same kind of thing that they're told if they're calling 1-800-Medicare or going onto the web site that they need to do. And then the counselor sits down in a session that can often take as much as an hour and really works through, enters the drugs, puts in their information, puts in their location and tries to narrow down the choices. Many of the counselors, what they would try to do is identify three or four programs that look like the best deals for the beneficiaries involved.

Typically, they did not recommend a single program to the beneficiaries. They asked the beneficiary to make the choice. They offered, in some cases, to fill out forms. In other cases they would send home the materials and the application form.

And then, in some cases a follow-up session was required. In fact, one counselor said they often ended up meeting the people three different times. The first time they would come in and talk and discover they didn't really have with them complete information on the drugs that they were taking so they'd come

back a second time, maybe with a bag of pill bottles so they could go through and be very precise. And then sometimes come back a third time after they'd made a decision for help filling out the application.

So this tended to be a pretty intensive process. One counselor even said that she tended to call up the pharmacy where they got their prescriptions done to try to find out exactly what they were paying today for their drugs, so they could really get a fix on whether there was a savings.

So some of these counselors went through a very elaborate process to try to help people.

What do the counselors tell us that beneficiaries decide? They said there were a fair number of people who ended up deciding, for the reasons I suggested earlier, just simply not to enroll. In some cases, a very logical decision that the cards weren't a better deal than what they were getting today. In other cases, perhaps they still has this feeling of being overwhelmed and just I don't want to deal with that. I don't want to pay the up front fee. I'm not sure I'm really going to get anything when it comes out.

But many did enroll. And those that do tended to pick one of three strategies. They either looked for the best savings across all the cards, even if it meant going to a new pharmacy to get a better deal. This was especially easy when the counselors narrowed the number of choices to sort of the best three or four cards.

Others tended to say I want to go to the pharmacy I'm accustomed to going to, so they'd look for the best card that had that particular pharmacy in the network.

Others seemed to really be bothered by the enrollment fee and so looked to those cards with no enrollment fees and would pick one of those, even if it was possibly not as good a deal overall but just didn't like the idea of paying that up front fee.

So what did the counselors say in their reviews of this whole process? They said overall these counseling sessions went smoothly. They were good sessions. They felt really good working with the beneficiaries. They were lengthy sessions, as I've said before.

They also were pretty consistent in saying that the web-based decision tool for the counselors worked quite well. In fact, one called it a godsend, that this really made it possible to work through this process with the beneficiaries.

Most of them, as I said before, don't recommend a specific choice for the beneficiaries. And as they reviewed the card program itself, their reviews were more mixed. Some of them pointed to a lot of flaws in the program, and I'll come back to that in a minute.

They also, though, told us some very positive spillover effects. The fact that the publicity over this program got people to come in and talk to them gave them the opportunity to discuss other programs they might be eligible for and it generated new enrollment in the state pharmacy assistance programs. It generated new enrollment in Medicare Savings for

people who were dually eligible for Medicaid.

It also gave them a chance to talk to them about other ways to get help in buying their drugs, some of the drug manufacturer assistance programs and the other things and other special programs that might be eligible for their unique circumstances. And so, the fact that they got in and talked to people really had a lot of positive spillover effects.

We also noted, through the interviews, that there was a lot of variation in the SHIPs. In some cases, their resources vary quite a bit, the resources for outreach and counseling. You have to remember that these SHIPs, while they have a few permanent staff, the bulk of the work that is done is by volunteers. One-on-one counseling, in many cases, is done by volunteers. So they're spending a lot of time training volunteers and depending on the availability of volunteers to do these things.

Some of the programs are quite well prepared and quite well funded. They're building from a good base. They've had a lot of success in past years. They integrate this new program with their other counseling. They try to make it just seamless as part of their normal operations. As some of them said, we just built this in to one more thing we talk to seniors about.

It was also, as I said before, a chance to educate clients about other resources available.

In other states, the programs would really struggle with some of the basics. They had an absence of outreach sites or volunteers. And they had problems with computers. In one state they talked about trying to set up programs around some of the really remote rural areas of that particular state and they'd get out to the state and discover there was no computer available to use. Or if they had one there was no Internet connection available with the computer. Or if it had an Internet connection it was a dial-up. And trying to do this, again, over a dial-up just was not very effective, especially trying to get through these things quickly.

I think the programs vary based on just the resources they have, the state funding as well as the federal funding that they have. But it's also a lot about the history and the partnerships they develop. Some of the best programs have really extensive histories and partnerships and go at it with a lot of enthusiasm.

We also, as I said, talked to a few pharmacists. Pharmacists generally reported a lot less activity on the counseling side. They did get a spike of inquiries when the program was new and all the publicity was initially out initially out but that quickly tapered off, we were told.

Some of them put signs in their windows and did other things to solicit inquiries. Some pharmacists really seemed to take a personal interest in trying to talk to some of their longtime clients who maybe had trouble paying for their drugs to try to get them involved in these cards.

There were other pharmacists, it seems, not ones we talked to directly but ones we were told about, that seemed unwilling to take the time to help. They were busy with their business and didn't really want to take the time to talk to customers in what

they knew would be a longer process.

There were also some concerns from the counselors we talked to that pharmacists had a tendency to recommend only the cards that their drugstores were cosponsors of or their chain or whatever was a cosponsor of and that was somewhat of a concern that we heard about as well.

What about the experience actually using the cards for those that signed up? The counselors did report -- first of all, we've only had this going on for a couple of months and a lot of the enrollment didn't even happen as early as the first of June. But they have not heard much about problems. They say our folks, when they talked us for this kind of counseling, if they have problems they're going to call us up again and they're not. We're not hearing back that oh, we went to the drug store and the card wasn't being accepted. Cards to seem to be accepted. The discounts people expected seem to be getting there. Or at least there is no evidence to the contrary, based on complaints back to the counselors.

We also heard more consistently or least from more different people that where the states had the pharmacy assistance programs and they were try to interact between their card for the PACE or the EPIC program and the new discount card that that interface had worked quite well, and there were really very few problems with that.

So to wrap up, what were the sort of assessments and recommendations that counselors told us about the discount card? They consistently told us they would prefer to see fewer choices. This idea of having as many as 40 choices was just too much.

They also felt that there were a number of people not being reached. And they have a real frustration and concern that they do not know how to get at some of these hard to reach populations.

One explicit comment we heard a couple of times was the need to make materials available in more languages, that while there are more than just English available, that there's a lot of languages in these communities where there aren't materials available.

But they are equally frustrated how to reach some of the sicker populations, the poorer populations, the ones who don't tend to come in, who don't know that these SHIPs exist.

They also said we needed more time at the beginning. They understood that was a program that was rolling out quickly. But they needed more time to learn about the program to be able to be good counselors. And that's something that they felt was a concern.

They also did say that the discount cards were a hard sell to the beneficiaries they talked to for the various reasons that we've talked about.

When we asked them about Medicare Part D mostly they told as well, it's still far away. We're not sure what that's going to look like. But some of the concerns they did raise was that they were concerned that the program would be more complex and that that would make the counseling process pretty complicated.

They were also concern that the consequences of mistakes are

greater, particularly because of the late enrollment penalty, which is something that they're very aware of.

From their perspective, they're concerned that more people will be affected. Now this isn't saying that that's a bad thing about the program, that it's simply something that they're going to have to deal with as counselors, not only the relatively few people for whom the discount card was a potential good deal but Medicaid beneficiaries, state program enrollees that could mostly not pay attention to the discount card will have to pay attention to Part D. So they know this is just a bigger process. They also know that it's a more complex program. There are a lot of complexities of benefit design, formularies, interactions with existing coverage and they know they've got a lot of work ahead of them.

Finally, one of their recommendations about Medicare Part D, they think it's really very important that messages about the program be clear and simple. I mentioned before the confusion about the discount card versus Part D. They felt that some that was because a lot of the early publicity said here's this discount card rolling out and then there's going to be Part D coming after that.

They said what would be much better is talk about the thing that's there now. Don't also talk about immunizations, physicals and other kinds of things. Talk about the thing that they need to know today.

They also said that more choices is something that's going to complicate the education process. And if there are a lot of choices that that is a concern to these counselors. They also say you need to allow plenty of lead time to prepare the counselors. They need to know about what's available in their community enough in advance to get on top of it before the onslaught of open season occurs.

They also would like to see more focus on educating pharmacists. They think they are an important part of the contact that people have and that they need to understand the programs.

They also point out consistently that seniors are not Internet savvy and that programs need to be wary of overemphasis of web use, even though web use can be very important to them as counselors.

And finally, they point to the need for more and better ideas for finding, educating and enrolling the hard-to-reach beneficiaries.

Thank you.

MR. HACKBARTH: Thank you, Jack.

DR. MILSTEIN: A few questions.

First, have any of these programs attempted to calculate what their costs are in getting somebody onto the program? And what relationships those costs bear to the likely incremental savings resulting from the card?

DR. HOADLEY: I don't think we ever asked a question that specific. We did talk to them some about the resources involved but nothing that was that focused, so I can't answer that.

DR. MILSTEIN: Another question is are any of these programs

attempting to either expand the benefit of the counseling by moving into scope questions like obvious things like opportunities for generic substitution that a senior may not have appreciated? And/or already making efforts to improve the quality of the counseling, such as some Medicaid agencies who now have these handheld sort of Hertz check-in type things to help the Medicaid enrollment process go faster and be more accurate? I can imagine something similar for these programs so that your quality control on the counseling process goes up and the efficiency of the process goes up. Many programs making headway in I'll call it the performance of their services?

DR. HOADLEY: On the first question, I think there were very few states that do try to get their counseling very broad, so that they might sometimes talk about generics just like they would talk about well, you have this Pfizer drug and Pfizer has this special program. Or we're looking at your drugs and there are some generic alternatives. Some of them do, I think, take an active role in trying to do that.

To the second question, I certainly didn't hear anything about that. And I think what we would probably hear, just to speculate, is the resources to do it in the front end. They are working on real shoestring budgets, in most cases, and I think they're struggling just to do what they're doing and would need up front investments, I think, to move in those new directions.

MR. HACKBARTH: Jack, could you just say a little bit more about the funding of the SHIPs, how much, sources.

DR. HOADLEY: I don't have numbers, at least not in my head. The sources, some of the money is federal and there were some additional grants available to the SHIPs through the MMA to help. And states certainly recognize that, the program folks recognize that. Although one complaint I did hear was that why do all of these new streams of funding always have to be a grant that we have to sit down and fill out a proposal for? And so they waste time, they feel, in having to go through an application process to get new funding instead of just getting the funding.

They get state funding in, I think, most cases. They're generally based at area agencies on aging or other places within the state government, departments of aging. And so certainly some of their funding comes from the state. And then they have partnerships with private organizations. So some of them very actively work with, whether it be AARP chapters or other local senior organizations, to try to build partnerships. And then they use volunteers, as I said before.

But I think the bulk of their funding is a mix of state and federal, but the numbers I don't have with me.

MS. DePARLE: We also gave them -- I think at the time of the BBA they were mostly state funding and we gave them -- I mean, it's still pennies, but a substantial increase as part of the BBA because we were trying to build up their capacity.

But as you say, Jack, they're still tremendously under-resourced and that could be certainly one way to use some of the additional funds that Congress gave CMS to implement this benefit, even though they are disappearing funds, in a sense. But one would hope that Congress will recognize the need for

this.

DR. WOLTER: This reminded me a little bit of the conversation yesterday on benefit design and copays and caps and the whole tension between innovation and flexibility and choice and options versus the complexity of the choice making.

I do think, as we have a chance to address those issues, how you would cast the balance of that I'm not certain. But I do think it's an issue. And right now it does seem like we're much more on the side of complexity than we are on clarity. And we may want to try to guide things in that direction.

MR. HACKBARTH: And by coincidence, there was a piece in the Post this morning, a column on the business page, about research on choice and how people process choices and whether they do well with open choice versus these types of constrained choice.

I don't know how much research exists on that question and what its utility might be, but it is a very interesting, and I think increasingly important, question for the Medicare program.

MR. MULLER: There's a lot of research at NORC on that.

MR. HACKBARTH: Anything else?

Thank you, Jack. Well done.